

Montana Railroad Service Competition Council
Industrial Products Sub-committee

Conference call notes – January 17, 2008

Agenda Topics

1. What constitutes "adequate service"? Try to build a consensus and develop examples. This will fit into the "common carrier obligation" issue that is a hot topic in Washington DC.
2. How can we improve equipment availability? Are there ideas we can develop that will address our concerns while recognizing the investment costs of maintaining a fleet of rail cars.
3. If we have time, I'd like to start discussions about a Shippers co-op. What are the issues and concerns? Can we find ways to reduce the costs of accessing the UP via the Port of Montana?

These people were on the call:

Russ Hobbs-Plum Creek

Terry Whiteside –Whiteside & Associates

Jennifer Godfrey— Whiteside & Associates--

Brad Newcomb – Montana Refining Co, Great Falls

Craig Eaton - Gwynn Lumber & Reload, Eureka

Patty Hempstead & Sheryl Ralph – Port of Montana

Steven Lloyd - Genesis Troy Mine

Tom Fox – Fox Lumber Quentin Apedaile

Terry Whiteside reviewed the concept of "common carrier obligation." Factored into almost all of our regulatory oversight is the concept that railroad carriers have a duty to serve the public. Every common carrier is required to provide and furnish transportation upon reasonable request. The railroads cannot properly withhold the central transportation services simply because they are unwilling on their part to do so.

Terry provided an example of a corn based ethanol processing plant attempting to set up operation at Broadview, Montana. The BN said they would not service the plant. Terry suggested this may be an example of the RR failing to meet its common carrier obligation.

Russ asked if there were other examples of this lack of willingness to serve.

One participant suggested that service is probably acceptable, while another indicated that they do have service issues. They call the train master for help (they service the facility twice a week) and he never calls back. Another problem is communication about bad ordered cars. They do not get notice and then find out the car's contents were transferred to another car without their knowledge or consent. A further problem is that their product is a concentrate and the entire volume may not get transferred to the new car, so they have a value loss as well as a delay in getting the product to their customer. A third person added that the RRs often delay notifying the shipper of the need to transfer stock from a bad ordered car, so there is no way to inspect or dispute what finally gets to the customer. The shipper has to bear the loss.

The group as a whole commented that communication and customer service from the short lines like MRL and Watco was much better than with BNSF. In most cases, this lack of service was frustrating, but not causing significant damage to the business.

The Port of Montana commented that they may be the exception, as they have very reliable service. Both railroads service them 5 days a week. This high level of service may be a reflection of the emphasis the class 1 RRs place on high volume shippers.

Terry Whiteside responded that one of the Issues STB is starting to get pressure from Congress to focus on will be talking about the have and the have nots. It is not that they want to force the railroads to service smaller shippers but they don't want them to be discriminated against. He then asked the group about availability of equipment.

The mining and refining participants felt cars were generally available because of the overall slowdown in the national economy. When business improves, we were all concerned that equipment will be scarce again. The lumber producers have been forced into the BNSF LOG (Lumber Origin Guarantee) program if they want an assured supply of cars. Craig Eaton @ Gwynn Lumber & Reload, Eureka did not participate in the LOGs program in 2007 and his business suffered from a lack of cars. We were concerned that other segments will be forced into similar programs.

Our conclusions were that we generally do not have an issue with common carrier obligation (an absolute lack of service), rather we have an issue with the quality of the service we receive. Unfortunately, we believe that the RR did not really care whether we shipped via rail or truck.

At the end of the call, we started a discussion on how to improve access to alternate RR, either the UP via Silver Bow or the CP via Shelby. If we can reduce the cost to shippers to access these alternate railroads, volume will follow.

Conference call ended at 3:06pm